

105TH CONGRESS
1ST SESSION

S. 321

To amend the Internal Revenue Code of 1986 and the Social Security Act to provide for personal investment plans funded by employee social security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 13, 1997

Mr. GREGG introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 and the Social Security Act to provide for personal investment plans funded by employee social security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strengthening Social
5 Security Act of 1997”.

1 **SEC. 2. PORTION OF SOCIAL SECURITY TAXES ON EMPLOY-**
 2 **EES DEPOSITED INTO PERSONAL INVEST-**
 3 **MENT PLANS.**

4 (a) DEDICATION OF EMPLOYEE TAXES AND SELF-
 5 EMPLOYMENT TAXES.—

6 (1) TAX ON EMPLOYEES.—Section 3101(a) of
 7 the Internal Revenue Code of 1986 (relating to
 8 OASDI tax on employees) is amended—

9 (A) by striking the period at the end of the
 10 table and inserting a semicolon; and

11 (B) by adding after and below the table
 12 the following:

13 “except that, in the case of an eligible employee (as de-
 14 fined in section 255(3) of the Social Security Act), the
 15 rate of tax under this subsection shall be 5.2 percent with
 16 respect to wages paid on or after December 31, 1997, for
 17 pay periods ending after such date.”.

18 (2) SELF-EMPLOYMENT TAX.—Section 1401(a)
 19 of such Code (relating to OASDI tax on self-employ-
 20 ment income) is amended—

21 (A) by striking the period at the end of the
 22 table and inserting a semicolon; and

23 (B) by adding after and below the table
 24 the following:

25 “except that, in the case of an eligible self-employed indi-
 26 vidual (as defined in section 255(4) of the Social Security

1 Act), the rate of tax under this subsection shall be 11.4
 2 percent of the amount of the self-employment income in
 3 the case of a taxable year beginning after December 31,
 4 1997.”.

5 (3) EFFECTIVE DATE.—

6 (A) EMPLOYEE TAX.—The amendments
 7 made by paragraph (1) apply to remuneration
 8 paid after December 31, 1997.

9 (B) SELF-EMPLOYMENT TAX.—The
 10 amendments made by paragraph (2) apply to
 11 taxable years beginning after December 31,
 12 1997.

13 (b) PERSONAL INVESTMENT PLANS.—

14 (1) IN GENERAL.—Title II of the Social Secu-
 15 rity Act (42 U.S.C. 401 et seq.) is amended—

16 (A) by inserting before section 201 the fol-
 17 lowing:

18 “PART A—INSURANCE BENEFITS”;

19 and

20 (B) by adding at the end the following:

21 “PART B—PERSONAL INVESTMENT PLANS

22 “PERSONAL INVESTMENT PAYROLL DEDUCTION PLANS

23 “SEC. 251. (a) IN GENERAL.—Each person who is
 24 a covered employer for a calendar year shall have in effect

1 a personal investment payroll deduction plan for such cal-
2 endar year for such person’s eligible employees.

3 “(b) PERSONAL INVESTMENT PAYROLL DEDUCTION
4 PLANS.—For purposes of this part, the term ‘personal in-
5 vestment payroll deduction plan’ means a written plan of
6 an employer—

7 “(1) which applies only with respect to wages of
8 eligible employees,

9 “(2) under which, the personal investment plan
10 contributions will be deducted from the employee’s
11 wages and paid to the Social Security Administra-
12 tion with respect to a personal investment plan des-
13 ignated in accordance with section 252(a),

14 “(3) under which, the employer is required to
15 pay the amount so deducted with respect to the
16 specified personal investment plan within 10 busi-
17 ness days after the payment of the wages from
18 which the amount was deducted,

19 “(4) under which, the employer receives no
20 compensation for the cost of administering such
21 plan, and

22 “(5) under which, the employer does not make
23 any endorsement with respect to any personal invest-
24 ment plan.

1 “(c) AMOUNTS DEDUCTED MAY BE ACCUMULATED
 2 BY EMPLOYER IN CERTAIN CASES.—If, under the terms
 3 of a personal investment plan designated under section
 4 252(a), contributions below a specified amount will not be
 5 accepted, the requirements of subsection (b)(2) shall be
 6 treated as met if amounts deducted from the wages of
 7 such employee are accumulated by the employer and paid
 8 to such plan not later than 10 business days after the first
 9 day on which the accumulated amount exceeds such speci-
 10 fied amount.

11 “DESIGNATION OF PERSONAL INVESTMENT PLANS
 12 UNDER PAYROLL DEDUCTION PLAN

13 “SEC. 252. (a) IN GENERAL.—Except as provided in
 14 subsection (b), the personal investment plan to which the
 15 personal investment plan contributions with respect to any
 16 employee are required to be paid under section 251 shall
 17 be a personal investment plan designated by the employee
 18 to the employer not later than 10 business days after the
 19 date on which the employee becomes an employee of such
 20 employer. Any such designation shall be made in such
 21 form and manner as may be prescribed in regulations of
 22 the Commissioner of Social Security.

23 “(b) DESIGNATION IN ABSENCE OF TIMELY DES-
 24 IGNATION BY EMPLOYEE.—In any case in which no timely
 25 designation of the personal investment plan is made, the

1 employer shall make the designation of the personal in-
2 vestment plan in accordance with regulations of the Com-
3 missioner of Social Security.

4 “PARTICIPATION BY SELF-EMPLOYED INDIVIDUALS

5 “SEC. 253. (a) IN GENERAL.—Each eligible self-em-
6 ployed individual who receives self-employment income in
7 any taxable year, shall, in such form and manner as shall
8 be prescribed in regulations of the Commissioner of Social
9 Security, deposit with the Social Security Administration
10 with respect to a personal investment plan maintained by
11 such individual the personal investment plan contribution
12 for such taxable year. Such deposit shall be made within
13 10 business days after the receipt by such individual of
14 such self-employment income.

15 “(b) AMOUNTS PAYABLE MAY BE ACCUMULATED IN
16 CERTAIN CASES.—If, under the terms of a personal in-
17 vestment plan maintained under subsection (a), contribu-
18 tions below a specified amount will not be accepted, the
19 requirements of subsection (a) shall be treated as met if
20 amounts otherwise payable under subsection (a) are accu-
21 mulated by the individual and paid to such plan not later
22 than 10 business days after the first day on which the
23 accumulated amount exceeds such specified amount.

1 “DESIGNATION OF PLANS OF SURVIVING SPOUSES AND
2 SURVIVING DIVORCED SPOUSES

3 “SEC. 254. (a) IN GENERAL.—Except as otherwise
4 provided in this section, in the case of a deceased individ-
5 ual with respect to whom a personal investment plan was
6 established and maintained pursuant to section 252 or
7 253, the trustee of such plan shall transfer the balance
8 in such plan to a personal investment plan maintained by
9 an eligible survivor if such plan is designated by the eligi-
10 ble survivor to the trustee not later than 20 business days
11 after the date of such individual’s death. Any such des-
12 ignation shall be made in such form and manner as may
13 be prescribed in regulations of the Commissioner of Social
14 Security.

15 “(b) EXCEPTION IN CASE OF WRITTEN CONSENT TO
16 TRANSFER TO ANOTHER BENEFICIARY.—In any case in
17 which the eligible survivor of a deceased individual has
18 consented in writing to a transfer by such individual of
19 the balance in such individual’s personal investment plan
20 to another beneficiary, the trustee of such plan shall trans-
21 fer the balance in such plan to such beneficiary within the
22 period of 20 business days following the date of such indi-
23 vidual’s death.

24 “(c) DESIGNATION IN ABSENCE OF TIMELY DES-
25 IGNATION OR CONSENT BY ELIGIBLE SURVIVOR.—In any

1 case in which, upon the expiration of the 20-day period
 2 described in subsection (a), there is an eligible survivor
 3 but no timely designation is made by the eligible survivor
 4 under subsection (a) and no consent has been made pursu-
 5 ant to subsection (b), the trustee shall make the designa-
 6 tion of the personal investment plan under subsection (a)
 7 on behalf of such eligible survivor, in accordance with reg-
 8 ulations of the Commissioner of Social Security.

9 “(d) DISPOSITION OF PLAN BALANCE IF NO ELIGI-
 10 BLE SURVIVOR EXISTS.—In any case in which, upon the
 11 expiration of the 20-day period described in subsection (a),
 12 no timely designation under subsection (c) has been made
 13 and there is no eligible survivor, the trustee of the de-
 14 ceased individual’s plan shall transfer the balance in such
 15 plan to the estate of the deceased individual.

16 “(e) PERIOD FOR TRANSFER BY TRUSTEE.—In the
 17 case of a transfer by a trustee under subsection (a), (c),
 18 or (d), the trustee shall transfer the balance in the per-
 19 sonal investment plan of the deceased individual within the
 20 period of 20 business days following the expiration of the
 21 20-day period described in such subsection.

22 “DEFINITIONS

23 “SEC. 255. For purposes of this part—

24 “(1) PERSONAL INVESTMENT PLAN.—The term
 25 ‘personal investment plan’ means—

1 “(A) any personal investment retirement
 2 plan in the Personal Investment Fund (estab-
 3 lished under section 257) which is administered
 4 by the Personal Investment Board, or

5 “(B) any individual retirement plan (as de-
 6 fined in section 7701(a)(37) of the Internal
 7 Revenue Code of 1986) which is administered
 8 or issued by a bank or other person referred to
 9 in section 408(a)(2) of such Code,
 10 under terms which restrict deposits to personal in-
 11 vestment plan contributions made to the plan pursu-
 12 ant to section 251 or 253 and transfers made to the
 13 plan pursuant to section 254, and under which dis-
 14 tributions may only be made on or after the date on
 15 which the individual attains age 59½, made to a
 16 beneficiary (or to the estate of the individual) on or
 17 after the death of the individual, or attributable to
 18 the individual’s becoming disabled within the mean-
 19 ing of section 223(d).

20 “(2) COVERED EMPLOYER.—The term ‘covered
 21 employer’ means, for any calendar year, any person
 22 on whom an excise tax is imposed under section
 23 3111 of the Internal Revenue Code of 1986 with re-
 24 spect to having an individual in the person’s employ

1 to whom wages are paid by such person during such
2 calendar year.

3 “(3) ELIGIBLE EMPLOYEE.—The term ‘eligible
4 employee’ means, in connection with any person who
5 is a covered employer for any calendar year begin-
6 ning after December 31, 1997, any individual—

7 “(A) with respect to whose employment by
8 such employer during such calendar year there
9 is imposed an excise tax under section 3111 of
10 the Internal Revenue Code of 1986, and

11 “(B) who does not attain age 55 during
12 such calendar year.

13 “(4) ELIGIBLE SELF-EMPLOYED INDIVIDUAL.—
14 The term ‘eligible self-employed individual’ means
15 any individual—

16 “(A) on whose self-employment income for
17 a taxable year beginning after December 31,
18 1997, there is imposed a tax under section
19 1401(a) of the Internal Revenue Code of 1986,
20 and

21 “(B) who does not attain age 55 during
22 such taxable year.

23 “(5) PERSONAL INVESTMENT PLAN CONTRIBU-
24 TION.—The term ‘personal investment plan con-
25 tribution’ means—

1 “(A) with respect to any eligible employee
2 of a covered employer, an amount equal to 1
3 percent of the wages received by such employee
4 with respect to employment by such employer,
5 and

6 “(B) with respect to the self-employment
7 income of an individual for any taxable year, an
8 amount equal to 1 percent of such income for
9 such taxable year.

“(6) ELIGIBLE SURVIVOR.—The term ‘eligible survivor’ of a deceased individual means such individual’s spouse or, if there is no such spouse, such individual’s last surviving divorced spouse. Such term shall not include any such surviving divorced spouse who is married on the date of the deceased individual’s death.

17 “(7) BUSINESS DAY.—The term ‘business day’
18 means any day other than a Saturday, Sunday, or
19 legal holiday in the area involved.

20 “PENALTIES

21 “SEC. 256. (a) FAILURE TO ESTABLISH PERSONAL
22 INVESTMENT PAYROLL DEDUCTION PLAN.—Any covered
23 employer who fails to meet the requirements of section
24 251 for any calendar year shall be subject to a civil penalty
25 of not to exceed the greater of—

26 “(1) \$5,000, or

1 “(2) \$100 for each eligible employee of such
2 employer as of the beginning of such calendar year.

3 “(b) FAILURE TO MAKE DEDUCTIONS REQUIRED
4 UNDER PLAN.—Any covered employer who fails to deduct
5 an amount from the wages of an eligible employee in ac-
6 cordance with a personal investment payroll deduction
7 plan shall be subject to a civil penalty of not to exceed
8 \$500 for each such failure.

9 “(c) FAILURE BY EMPLOYER TO MAKE TIMELY PAY-
10 MENTS TO PERSONAL INVESTMENT PLAN.—If an amount
11 deducted from the wages of an eligible employee under a
12 personal investment payroll deduction plan is not paid to
13 the Social Security Administration with respect to the
14 specified personal investment plan within the time pre-
15 scribed by section 251—

16 “(1) the employer shall be subject to a civil
17 penalty of not to exceed 50 percent of the amount
18 so deducted, and

19 “(2) shall be liable to the employee for interest
20 on the amount so deducted at the underpayment
21 rate determined under section 6621 of the Internal
22 Revenue Code of 1986 from the last day by which
23 such amount was required to be so paid to the date
24 on which such amount is paid into the specified per-
25 sonal investment plan.

1 “(d) FAILURE BY ELIGIBLE SELF-EMPLOYED INDIVIDUAL TO MAKE TIMELY PAYMENTS TO PERSONAL INVESTMENT PLAN.—If a personal investment plan contribution is not paid by an eligible self-employed individual to the Social Security Administration with respect to a personal investment plan maintained by the individual within the time prescribed by section 253, such individual shall be subject to a civil penalty of not to exceed 50 percent of the amount of such contribution.

10 “(e) FAILURE BY TRUSTEE TO MAKE TIMELY TRANSFERS.—If the balance in the personal investment plan of a deceased individual is not transferred by the trustee within the time prescribed by section 254—

14 “(1) the trustee shall be subject to a civil penalty of not to exceed 50 percent of the amount of the balance, and

17 “(2) shall be liable for interest on the balance at the underpayment rate determined under section 6621 of the Internal Revenue Code of 1986 from the last day by which such balance was required to be so transferred to the date on which such balance is transferred.

23 “(f) RULES FOR APPLICATION OF SECTION.—

24 “(1) PENALTIES ASSESSED BY COMMISSIONER.—Any civil penalty assessed by this section

1 shall be imposed by the Commissioner of Social Se-
 2 curity and collected in a civil action.

3 “(2) COMPROMISES.—The Commissioner may
 4 compromise the amount of any civil penalty imposed
 5 by this section.

6 “(3) AUTHORITY TO WAIVE PENALTY IN CER-
 7 TAIN CASES.—The Commissioner may waive the ap-
 8 plication of this section with respect to any failure
 9 if the Commissioner determines that such failure is
 10 due to reasonable cause and not to intentional dis-
 11 regard of rules and regulations.

12 “PERSONAL INVESTMENT FUND

13 “SEC. 257. (a) ESTABLISHMENT.—There is estab-
 14 lished and maintained in the Treasury of the United
 15 States a Personal Investment Fund in the same manner
 16 as the Thrift Savings Fund under sections 8437, 8438,
 17 and 8439 of title 5, United States Code.

18 “(b) PERSONAL INVESTMENT FUND BOARD.—

19 “(1) IN GENERAL.—There is established and
 20 operated in the Social Security Administration a
 21 Personal Investment Fund Board in the same man-
 22 ner as the Federal Retirement Thrift Investment
 23 Board under subchapter VII of chapter 84 of title
 24 5, United States Code.

25 “(2) SPECIFIC INVESTMENT DUTIES.—The Per-
 26 sonal Investment Fund shall be managed by the

1 Personal Investment Fund Board in the same man-
 2 ner as the Thrift Savings Fund is managed under
 3 subchapter VIII of chapter 84 of title 5, United
 4 States Code.”.

5 (2) AMOUNTS DEDUCTED TO BE SHOWN ON W-
 6 2 STATEMENTS.—Section 6051(a) of the Internal
 7 Revenue Code of 1986 (relating to receipts for em-
 8 ployees), as amended by section 301(c)(3) of the
 9 Health Insurance Portability and Accountability Act
 10 of 1996, is amended—

11 (A) in paragraph (10), by striking “and”;

12 (B) in paragraph (11), by striking the pe-
 13 riod and inserting “, and”; and

14 (C) by inserting after paragraph (11) the
 15 following:

16 “(12) the total amount deducted from the em-
 17 ployee’s wages under a personal investment payroll
 18 deduction plan established under part B of title II
 19 of the Social Security Act.”.

20 (3) EXEMPTION FROM ERISA REQUIRE-
 21 MENTS.—Section 4(b) of the Employee Retirement
 22 Income Security Act of 1974 (29 U.S.C. 1003(b)) is
 23 amended—

24 (A) in paragraph (4), by striking “or”;

1 (B) in paragraph (5), by striking the pe-
 2 riod and inserting “; or”; and

3 (C) by inserting after paragraph (5) the
 4 following:

5 “(6) such plan is a personal investment payroll
 6 deduction plan established under part B of title II
 7 of the Social Security Act and does not provide for
 8 employer contributions.”.

9 (4) EFFECTIVE DATE AND NOTICE REQUIRE-
 10 MENTS.—

11 (A) EFFECTIVE DATE.—The amendments
 12 made by this subsection (and any personal in-
 13 vestment payroll deduction plan required there-
 14 under) apply with respect to wages paid after
 15 December 31, 1997, for pay periods ending
 16 after such date and self-employment income for
 17 taxable years beginning after such date.

18 (B) NOTICE REQUIREMENTS.—

19 (i) IN GENERAL.—Not later than Oc-
 20 tober 1, 1997, the Commissioner of Social
 21 Security shall—

22 (I) send to the last known ad-
 23 dress of each eligible individual a de-
 24 scription of the program established

1 by the amendments made by this sec-
2 tion, which shall be written in the
3 form of a pamphlet in language which
4 may be readily understood by the av-
5 erage worker,

6 (II) provide for toll-free access by
7 telephone from all localities in the
8 United States to the Social Security
9 Administration through which individ-
10 uals may obtain information and an-
11 swers to questions regarding such pro-
12 gram, and

13 (III) provide information to the
14 media in all localities of the United
15 States about such program and such
16 toll-free access by telephone.

17 (ii) ELIGIBLE INDIVIDUAL.—For pur-
18 poses of this subparagraph, the term “eli-
19 gible individual” means an individual who,
20 as of the date of the pamphlet sent pursu-
21 ant to clause (i), is indicated within the
22 records of the Social Security Administra-
23 tion as—

24 (I) not having attained age 55,
25 and

1 (II) being credited with 1 or
 2 more quarters of coverage under sec-
 3 tion 213 of the Social Security Act
 4 (42 U.S.C. 413).

5 (iii) MATTERS TO BE INCLUDED.—
 6 The Commissioner shall include with the
 7 pamphlet sent to each eligible individual
 8 pursuant to clause (i)—

9 (I) a statement of the number of
 10 quarters of coverage indicated in the
 11 records of the Social Security Admin-
 12 istration as of the date of the descrip-
 13 tion as credited to such individual
 14 under section 213 of such Act and the
 15 date as of which such records may be
 16 considered accurate, and

17 (II) the number for toll-free ac-
 18 cess by telephone established by the
 19 Commissioner pursuant to clause (i).

20 (c) ADJUSTMENTS TO PRIMARY INSURANCE
 21 AMOUNTS.—

22 (1) IN GENERAL.—Section 215 of the Social
 23 Security Act (42 U.S.C. 415) is amended by adding
 24 at the end the following:

1 “Adjustment of Primary Insurance Amount of Eligible
 2 Employees and Eligible Self-Employed Individuals
 3 Under Part B

4 “(j)(1) Except as provided in paragraph (2), in the
 5 case of an individual who is—

6 “(A) an eligible employee, as defined under sec-
 7 tion 255(3), or

8 “(B) an eligible self-employed individual, as de-
 9 fined under section 255(4),

10 such individual’s primary insurance amount shall be deter-
 11 mined under subsection (a)(1)(A) (before subsequent ad-
 12 justments made under subsection (i)), by substituting the
 13 first, second, and third primary insurance amount factors
 14 determined in the following table for the primary insur-
 15 ance amount factors ‘90’, ‘32’, and ‘15’ in clauses (i), (ii),
 16 and (iii), respectively:

“If individual’s age in 1998 is:	The PIA factors for such individual are:		
	First:	Second:	Third:
25 and under	90	23	9
26 to 35	90	26	12
35 to 45	90	29	13
45 to 55	90	30	14
55 and over	90	32	15.

17 “(2)(A) In the case of an individual described in
 18 paragraph (1) who has not attained age 55 in 1998 and
 19 who becomes entitled to disability insurance benefits under

1 section 223 or dies before attaining age 62, such individ-
 2 ual's second and third primary insurance amount factors
 3 shall equal such factors contained in the table in para-
 4 graph (1) for individuals who have attained age 55 or over
 5 in 1998, reduced by the amount described in subpara-
 6 graph (B).

7 “(B) The amount described in this subparagraph is
 8 equal to—

9 “(i) the excess of—

10 “(I) the second (or third) primary insur-
 11 ance amount factor contained in the table in
 12 paragraph (1) for individuals who have attained
 13 age 55 or over in 1998, over

14 “(II) the second (or third) primary insur-
 15 ance amount factor contained in such table for
 16 individuals of the age of the individual in 1998;
 17 multiplied by—

18 “(ii) the fraction—

19 “(I) the numerator of which is the number
 20 of years such individual is alive and not dis-
 21 abled after age 21 (or after 1998, if later) and
 22 before age 62, and

23 “(II) the denominator of which is 40 (or
 24 the number of years after 1998 and before the
 25 year the individual attains age 62, if less).”.

1 (2) CONFORMING AMENDMENT TO RAILROAD
2 RETIREMENT ACT OF 1974.—Section 1 of the Rail-
3 road Retirement Act of 1974 (45 U.S.C. 231) is
4 amended by adding at the end the following:

5 “(s) In applying applicable provisions of the Social
6 Security Act for purposes of determining the amount of
7 the annuity to which an individual is entitled under this
8 Act, such individual shall not be treated as an ‘eligible
9 individual’ as defined in section 253(4) of the Social Secu-
10 rity Act.”.

11 (3) EFFECTIVE DATE.—The amendments made
12 by this subsection apply with respect to months after
13 December 1997.

14 **SEC. 3. PHASED IN INCREASE IN SOCIAL SECURITY RETIRE-**
15 **MENT AGES.**

16 (a) NORMAL RETIREMENT AGE.—Section 216(l) of
17 the Social Security Act (42 U.S.C. 416(l) is amended—

18 (1) in paragraph (1), by striking subparagraphs
19 (B), (C), (D), and (E) and inserting the following:

20 “(B)(i)(I) except as provided in clause (ii), with
21 respect to an individual who attains age 62 after De-
22 cember 31, 1999, and before January 1, 2029, 65
23 years of age plus $\frac{2}{12}$ of the number of months in
24 the period beginning with January 2000 and ending

1 with December of the year in which the individual
2 attains age 62,

3 “(II) with respect to an individual who attains
4 age 62 after December 31, 2028, 70 years of age,
5 and

6 “(III) with respect to an individual who attains
7 age 62 after December 31, 2029, 70 years of age
8 plus $\frac{1}{24}$ of the number of months in the period be-
9 ginning with January 2030 and ending with Decem-
10 ber of the year in which the individual attains age
11 62 (rounded down to a full month); and

12 “(ii) in the case of widow’s or widower’s insur-
13 ance benefits, with respect to an individual who at-
14 tains age 60 after December 31, 1999, and before
15 January 1, 2029, 63 years of age plus $\frac{2}{12}$ of the
16 number of months in the period beginning with Jan-
17 uary 2000 and ending with December of the year in
18 which the individual attains age 60,

19 “(II) with respect to an individual who attains
20 age 60 after December 31, 2028, 68 years of age,
21 and

22 “(III) with respect to an individual who attains
23 age 60 after December 31, 2029, 68 years of age

1 plus $\frac{1}{24}$ of the number of months in the period be-
 2 ginning with January 2030 and ending with Decem-
 3 ber of the year in which the individual attains age
 4 60 (rounded down to a full month).”; and

5 (2) by striking paragraph (3).

6 (b) EARLY RETIREMENT AGE.—Section 216(l)(2) of
 7 the Social Security Act (42 U.S.C. 416(l)(2)) is amended
 8 to read as follows:

9 “(2) The term ‘early retirement age’ means—

10 “(A) except as otherwise provided in this para-
 11 graph, age 62 in the case of an old-age, wife’s, or
 12 husband’s insurance benefit, and age 60 in the case
 13 of a widow’s or widower’s insurance benefit;

14 “(B)(i)(I) except as provided in clause (ii), with
 15 respect to an individual who attains age 62 after De-
 16 cember 31, 1999, and before January 1, 2017, 62
 17 years of age plus $\frac{2}{12}$ of the number of months in
 18 the period beginning with January 2000 and ending
 19 with December of the year in which the individual
 20 attains age 62,

21 “(II) with respect to an individual who attains
 22 age 62 after December 31, 2016, 65 years of age,
 23 and

24 “(III) with respect to an individual who attains
 25 age 62 after December 31, 2029, 65 years of age

1 plus $\frac{1}{24}$ of the number of months in the period be-
 2 ginning with January 2030 and ending with Decem-
 3 ber of the year in which the individual attains age
 4 62 (rounded down to a full month); and

5 “(ii)(I) in the case of widow’s and widower’s in-
 6 surance benefits, with respect to an individual who
 7 attains age 60 after December 31, 1999, and before
 8 January 1, 2017, 60 years of age plus $\frac{2}{12}$ of the
 9 number of months in the period beginning with Jan-
 10 uary 2000 and ending with December of the year in
 11 which the individual attains age 60,

12 “(II) with respect to such an individual who at-
 13 tains age 60 after December 31, 2016, 63 years of
 14 age, and

15 “(III) with respect to such an individual who
 16 attains age 60 after December 31, 2029, 63 years
 17 of age plus $\frac{1}{24}$ of the number of months in the pe-
 18 riod beginning with January 2030 and ending with
 19 December of the year in which the individual attains
 20 age 60 (rounded down to a full month).”.

21 (c) REDUCTION IN BENEFITS FOR EARLY RETIREES
 22 MAINTAINED AT CURRENT LEVEL.—Section
 23 202(q)(9)(A) of the Social Security Act (42 U.S.C.
 24 402(q)(9)(A)) is amended by inserting “, but in no event
 25 shall be greater than 30 percent” before the semicolon.

1 **SEC. 4. MODIFICATION OF CPI CALCULATION FOR SOCIAL**
2 **SECURITY COLAS.**

3 Notwithstanding any other provision of title II of the
4 Social Security Act, with respect to calculations made
5 after December 31, 1997, with respect to any cost-of-liv-
6 ing calculation under such title, the Bureau of Labor Sta-
7 tistics of the Department of Labor shall reduce the annual
8 percentage change in the Consumer Price Indexes, as de-
9 termined without regard to this section, by .5 percentage
10 point.

○